

## Message Text

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ORIGIN EB-08

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-----072343Z 063395 /66

P 072217Z MAR 77  
FM SECSTATE WASHDC  
TO AMEMBASSY BUCHAREST PRIORITY

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E.O. 11652: N/A

TAGS: EAIR, RO

SUBJECT: CIVAIR - US-ROMANIAN AGREEMENT

REF: BUCHAREST 1356

1. SUMMARY. DEPT WELCOMES DISCUSSION OF EMBASSY CONCERNS  
EXPRESSED REFTEL BUT IS NOT PERSUADED OF UTILITY OF GOVERN-  
MENTAL NEGOTIATIONS AT THIS TIME. END SUMMARY.

2. DEPT SUGGESTION OF INTER-AIRLINE DISCUSSIONS AS METHOD  
TO RESOLVE FUNDAMENTAL IMBALANCE OF ECONOMIC BENEFITS IN  
US-ROMANIAN CIVIL AVIATION RELATIONS WAS MADE AFTER CON-  
SIDERATION OF FOLLOWING FACTORS:

A. SMALL ROMANIAN MARKET (AND LARGELY US-ORIGIN TRAFFIC)  
IS NOT CONDUCIVE TO GOVERNMENTAL NEGOTIATION OF MARKET  
SHARE (UNLIKE CASE IN POLAND);

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B. TAROM'S OPERATIONS (ONE FLIGHT PER WEEK) PROVIDE LITTLE  
USG LEVERAGE ON GOR, SHORT OF TERMINATING THE AGREEMENT;  
AND

C. ROMANIAN ECONOMIC SYSTEM OFFERS LITTLE OPPORTUNITY FOR  
PAN AM TO COMPETE EFFECTIVELY FOR ROMANIAN-ORIGIN MARKET.

FURTHERMORE, PAN AM BELIEVES TAROM UNDERTAKINGS OF JANUARY 26--COUPLED WITH PROSPECT FOR PAN AM PARTICIPATION IN ROMANIAN-ORIGIN CARGO CHARTERS--ARE SATISFACTORY.

3. DEPARTMENT'S VIEWS ON THREE CONCERNS IDENTIFIED BY EMBASSY (PARA 2 REFTEL) AS JUSTIFYING NEGOTIATIONS, ARE AS FOLLOWS:

A. DEPARTMENT SEES NO NEED FOR CIVAIR NEGOTIATIONS SOLELY TO DEMONSTRATE USG DETERMINATION TO REDRESS IMBALANCE THROUGH SALES QUOTA AND BELIEVES EMBASSY AND DEPARTMENT CAN PERSUADE ROMANIANS THROUGH DIPLOMATIC CHANNELS THAT WE INTEND THE SALES QUOTA TO BE AN EFFECTIVE REMEDY FOR IMBALANCE OF SALES IN ROMANIA.

B. PAN AM INTEREST IN FULL IMPLEMENTATION OF ARTICLE XIV HAS LESSENED. IT DOES NOT APPEAR THAT AN OPPORTUNITY FOR PAN AM TO SELL ITS SERVICES FOR ROMANIAN CURRENCY WOULD BE SUFFICIENT IN ITSELF TO REDRESS THE IMBALANCE OF BENEFITS, SINCE TAROM WOULD PRESUMABLY REMAIN PAN AM'S GENERAL SALES AGENT AND COULD ACT IN OTHER THAN PAN AM'S BEST INTEREST.

C. PAN AM NYC ADVISES THAT ITS AIRPORT-RELATED OPERATIONAL PROBLEMS APPEAR TO BE SOLVED, THANKS IN GOOD MEASURE TO EMBASSY ASSISTANCE. WHILE WE DO NOT THINK IT IS NECESSARY TO HAVE CIVIL AVIATION NEGOTIATIONS TO DISCUSS THIS MATTER, WE PROPOSE IN OUR NOTE TO MAKE IT MANDATORY FOR TAROM TO USE PAN AM AS ITS GROUND HANDLING AGENT IN THE U.S. THIS LIMITED OFFICIAL USE

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WOULD PROVIDE PAN AM WITH SOME LEVERAGE IN THIS AREA.

4. WITH REGARD TO EMBASSY COMMENTS IN PARA 3 OF REFTEL, DEPARTMENT DOES NOT CONSIDER EXTENSION AS SIGNALING LACK OF USG INTEREST IN FULL IMPLEMENTATION OF SALES QUOTA BY TAROM AND GOR, AND WE ARE SURE EMBASSY WILL HELP TO DIS-ABUSE ROMANIANS OF ANY SUCH INFERENCE. WE EXPECT GOR TO LIVE UP TO COMMITMENTS SET OUT IN ANY EXTENDED ATA. PAN AM INTENDS TO MONITOR THE IMPLEMENTATION OF THE SALES QUOTA CAREFULLY, AND, SHOULD IT BECOME NECESSARY, USG WOULD BE PREPARED TO MAKE REPRESENTATIONS ON PAN AM'S BEHALF. DEPT BELIEVES BURDEN OF MAINTAINING BILATERAL IS ON ROMANIAN SIDE AND THAT USG WILL HAVE SUFFICIENT NEGOTIATING STRENGTH WITH OPTION TO TERMINATE AGREEMENT AFTER 60 DAYS NOTICE IF FIRST YEAR SALES QUOTA PERFORMANCE IS UNSATISFACTORY.

5. RE EMBASSY MISGIVINGS PARA 5 REFTEL, NO MAJOR MODIFICATION TO AGREEMENT OTHER THAN ADDITION OF PAN AM/TAROM UNDERSTANDINGS AND DESIGNATION OF PAN AM AS GROUND HANDLING

AGENT FOR TAROM ARE CONTEMPLATED. EMBASSY ASSESSMENT OF ROMANIAN "FORM" (PARA 5) MAY PROVE CORRECT BUT OUR INITIAL

READING FROM CONTACT WITH ROMANIAN EMBASSY INDICATES OUR PROPOSAL IS ACCEPTABLE. WE HOPE TO EFFECT EXCHANGE OF NOTES AS SOON AS POSSIBLE, BUT IF ROMANIANS SAY THEY NEED MORE TIME TO CONSIDER OUR NOTE OR PRESENT COUNTER PROPOSAL TO WHICH WE CANNOT REPLY BY MARCH 31, TEMPORARY EXTENSION WOULD NOT BE NEEDED FROM USG POINT OF VIEW. ADMINISTRATIVE PROCEDURES ACT PERMITS CONTINUED OPERATION OF TAROM FLIGHTS INTO US UNDER VALID FOREIGN AIR CARRIER PERMIT AND AGREEMENT COULD BE EXTENDED RETROACTIVELY TO MARCH 31 AS HAS BEEN DONE IN MANY OTHER CASES. NEVERTHELESS, WE WILL DO OUR BEST TO PRESENT US NOTE BY END OF WEEK.

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## Message Attributes

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